

**THE OFFICE OF REGULATORY STAFF  
DIRECT TESTIMONY AND EXHIBITS  
OF  
DAWN M. HIPPI**



**DOCKET NO. 2006-107-WS**

**Application of United Utility Companies, Inc.  
for Adjustment of Rates and Charges and  
Modification of Certain Terms and  
Conditions for the Provision of Water and  
Sewer Service**

**TESTIMONY OF DAWN M. HIPPI****FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2006-107-WS****IN RE: UNITED UTILITY COMPANIES, INC.**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

A. My name is Dawn M. Hipp. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the state of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A. I am a 1992 graduate of Moorhead State University where I earned a B.S. in Political Science. I have over eight years of experience in hazardous waste regulation. From 1996 to 1999, I worked for Laidlaw Environment Services in Saukville, Wisconsin, as an accounts receivable supervisor and then as a facility accounting supervisor for Laidlaw's Government Services Division. In this role, I facilitated electronic commerce including EDI transfers of orders and EFT

1 payments with customers. I also developed, implemented, and enhanced  
2 government billing and waste tracking systems. From 1999-2003, I worked for  
3 Safety-Kleen Corporation and Clean Harbors Environmental Services, Inc. in  
4 Columbia, SC as an operations manager in the Government Services Division. In  
5 this role, I managed the financial, operations and all regulatory aspects of field  
6 offices nationwide serving Department of Defense hazardous waste removal  
7 contracts. I was accountable for the viability of 14 government contracts yielding  
8 \$12 million in revenue annually.

9 In September 2004, I joined ORS as the Program Specialist for the Water and  
10 Wastewater Department. I am a member of the American Water Works  
11 Association ("AWWA") and the South Carolina Section of the American Water  
12 Works Association ("SC-AWWA"). In addition, I have completed the Eastern  
13 National Association Regulatory Utility Commissioners ("NARUC") Utility Rate  
14 School: Basics of Ratesetting and New Mexico State University's Center for  
15 Public Utilities Workshop: Regulating Small Water Utilities.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
17 **PROCEEDING?**

18 A. The purpose of my testimony is to set forth the ORS staff findings relative to my  
19 review of the rate increase application submitted by United Utility Companies,  
20 Inc. ("UUCI"). Specifically, I will focus on UUCI's compliance with the Public  
21 Service Commission ("Commission" or "PSC") rules and regulations, ORS's  
22 audit of various UUCI water and wastewater facilities, test-year revenue and  
23 proposed revenue adjustments, and UUCI customer complaints.

1   **Q.    ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
2       **TESTIMONY AND ACCOMPANYING EXHIBITS?**

3   A.   Yes, my testimony and the attached exhibits detail ORS's findings and  
4       recommendations.

5   **Q.    PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
6       **TESTIMONY AND EXHIBITS.**

7   A.   I used ORS revenue audit results, facility site inspection findings and information  
8       provided by UUCI in its Application and Data Request responses. I also reviewed  
9       UUCI's financial statements and performance bond documents submitted to the  
10      Commission.

11   **Q.    PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**  
12      **TYPES AND CUSTOMER BASE SERVICED BY UUCI.**

13   A.   UUCI is a public utility providing water distribution/supply services and  
14       wastewater collection/treatment services. As a subsidiary of Utilities, Inc.,  
15       UUCI's South Carolina operations are classified by NARUC as a Class C water  
16       utility and a Class B wastewater utility. The Commission approved service area  
17       for UUCI includes portions of Aiken, Anderson, Cherokee, Greenville,  
18       Greenwood, Oconee, Spartanburg and Union counties. According to UUCI's  
19       customer records for the test year ending September 30, 2005, water services were  
20       provided to 100 residential single family equivalents. Likewise, wastewater  
21       collection and treatment services were provided to 1,797 residential and  
22       commercial single family equivalents. Exhibit DMH-1 provides a customer  
23       overview of current UUCI customers by location and service type. Exhibit DMH-

2 provides a detail of test-year customers by classification, subdivision, location and service type.

**Q. HAS UUCI PETITIONED THE COMMISSION TO CHANGE ITS APPROVED SERVICE TERRITORY?**

A. Yes. Under Docket No. 2006-122-S, UUCI filed an application to relinquish its authorized service territory in Oconee County. UUCI provides operator services to one customer, Stoneledge at Lake Keowee Owners' Association, Inc. ("Keowee") in Oconee County. Under Order No. 2003-666, Keowee was granted exemption from Commission regulation as a provider of sewer transportation service. UUCI's petition to relinquish its service territory in Oconee County was approved by the Commission under Order No. 2006-430 on July 25, 2006.

**Q. HAS UUCI PETITIONED THE COMMISSION TO TRANSFER ITS SEWER SYSTEM AND TERRITORY SERVING THE GEM LAKES SUBDIVISION?**

A. Yes. Under Docket No. 2006-130-S, UUCI filed an application to transfer its sewer system and authorized service territory for Gem Lakes subdivision in Aiken County to the City of Aiken. This application was approved by the Commission under Order No. 2006-431 dated July 25, 2006.

**Q. DOES ORS INCLUDE INFORMATION IN ITS DIRECT TESTIMONY FOR KEOWEE AND GEM LAKES SUBDIVISION CUSTOMERS?**

A. Yes. However, we have normalized test year revenues to reflect the elimination of the Keowee and Gem Lakes subdivision customers.

**Q. PLEASE EXPLAIN EXHIBIT DMH-3 OF YOUR REPORT.**

1 A. Exhibit DMH-3, consisting of three pages, provides a summary of the services  
2 provided by UUCI based on the Business Office Compliance Review completed  
3 by ORS. The Business Office Compliance Review consists of a review of UUCI's  
4 office records to determine compliance with PSC rules and regulations.

5 UUCI utilizes a customized computer database to capture all customer account  
6 transactions. The system tracks all customer complaints received by the  
7 Northbrook, IL, office and the West Columbia, SC, office. Each complaint is  
8 reflected in the specific customer account as a service order and complaint  
9 resolution data is clearly provided by date and responsible party. UUCI's  
10 customer bill, disconnect notices, payment plans and deposit receipts contain all  
11 required information and are issued to customers in a timely manner. Invoice  
12 adjustments, deposit refunds, late payment penalties and reconnection notices are  
13 automated, accurate and timely. Overall, UUCI's business systems are well-  
14 suited to ensure compliance with the administrative aspects of 26 S.C. Code Regs.  
15 103 Articles 5 and 7. UUCI is in compliance with the Annual Report and Gross  
16 Receipts requirements as well.

17 Two deficiencies were noted by ORS during the Business Office Compliance  
18 Review. UUCI did not fulfill its obligation, under 26 S.C. Code Regs. 103-  
19 514(C) and 103-714(C), to file a notice with the Commission when a violation of  
20 the Department of Health and Environmental Control ("DHEC") rules and  
21 regulations affect the service provided to its customers. UUCI executed a  
22 Consent Agreement with DHEC for its Briarcreek I wastewater treatment facility.  
23 Consent Order 04-180-W detailed violations of the Pollution Control Act, S.C.

Code Ann § 48-1-10 to -350 (1987 & Supp 2004), and National Pollutant Discharge Elimination ("NPDES") Permit SC00223736. ORS received a copy of Consent Order 04-180-W in response to our First Continuing Data Request. UUCI should be reminded that notices of violation ("NOV") and consent orders that affect service to customers must be filed with ORS and the PSC in the future. In addition, ORS noted that the face amount of the posted performance bond is insufficient as required by 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1. UUCI has agreed to increase the performance bond amounts for water and wastewater operations upon PSC approval.

**Q. PLEASE EXPLAIN EXHIBIT DMH-4 OF YOUR REPORT.**

A. Exhibit DMH-4, consisting of 11 pages, is a summary of the water distribution/supply and wastewater collection and treatment services inspected by ORS in June 2006.

**Water Supply**

UUCI currently provides adequate water supply services to its residential customers using deep-drilled wells. Safe drinking water standards are being met according to recent DHEC sanitary survey reports and required certified operator logs were in compliance at all ORS audited facilities. General housekeeping items including treatment chemical labeling, facility fencing, access roads and signage are satisfactory. Potable water and irrigation consumption is metered to all customers. UUCI does not provide and is not required to provide fire protection services to its customers.

1        **Wastewater Collection and Treatment Systems**

2        UUCI provides wastewater treatment under NPDES permits. In addition, UUCI  
3        provides wastewater collection services and transmits the wastewater for  
4        treatment to a third party. During the ORS inspection, all wastewater collection  
5        and treatment systems were operating adequately and in accordance with DHEC  
6        rules and regulations. In Anderson County, UUCI is in the process of upgrading  
7        its Chambert Forest wastewater treatment operations to improve its ability to meet  
8        discharge limits set by its NPDES permit.

9        **Q. PLEASE EXPLAIN EXHIBIT DMH-5 OF YOUR REPORT.**

10       A. Exhibit DMH-5 provides an overview of UUCI's bonding structure. The purpose  
11       of a utility's performance bond is to provide sufficient financial assurance to both  
12       the customer and the Commission in the event that the utility fails to provide safe  
13       and adequate service. The performance bond amount should be of a level to  
14       support expenses of that utility for a period of time. Pursuant to 26 S.C. Code  
15       Regs. 103-512.3.1 and 103-712.3.1, "the amount of bond shall be based on, but  
16       not limited to, the total amount of the following categories of expenses for twelve  
17       months: Operation and Maintenance Expenses, General and Administrative  
18       Expenses, Taxes Other Than Income Taxes, Income Taxes, and Debt Service  
19       including Interest Expenses." The bond amount is also set forth in S.C. Code Ann.  
20       Section 58-5-720 (Supp. 2004). The Commission's statutes and regulations state  
21       bond amounts must range from an amount not less than \$100,000 and not more  
22       than \$350,000.



1 UUCI has a current performance bond for utility operations in the form of an  
2 Irrevocable Letter of Credit ("ILC") from Bank One, NA on file with the PSC in  
3 the amount of \$100,000 (Exhibit DMH-6). UUCI has provided \$50,000 in surety  
4 for water operations and \$50,000 in surety for wastewater operations according to  
5 PSC records.

6 Upon reviewing the expenses from the test year and using the criteria set forth in  
7 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1, ORS determined that the face  
8 amount of UUCI's bond based on the expenses from the test year should be  
9 increased. UUCI's adjusted bonding criteria expenses for the test year were  
10 \$43,370 for water operations and \$821,324 for wastewater operations. Combined  
11 bonding criteria expenses, as adjusted totaled \$864,694 for the test year ending  
12 September 30, 2005. ORS respectfully requests that the Commission increase the  
13 UUCI performance bond amounts for water and wastewater operations to  
14 \$100,000 and \$350,000 respectively as it is in the public interest for UUCI to  
15 obtain a bond that satisfies the criteria as set forth in S.C. Code Ann. Section 58-  
16 5-720.

17 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**  
18 **SERVICE REVENUES OF UUCI?**

19 A. Yes. ORS completed a thorough review of UUCI's customer water consumption  
20 and Base Facility Charge ("BFC") revenue calculations for the test year. Exhibit  
21 DMH-7 provides an overview of the UUCI current and proposed rates with the  
22 corresponding impact on water and wastewater revenues. ORS used consumption  
23 data provided by UUCI and verified during the audit. In addition, ORS used

1 UUCI's current and proposed rates as reflected in the Application for these  
2 calculations. Based on this review, an adjustment to service revenue is required  
3 to record the accurate amount of water and wastewater revenues generated by  
4 UUCI and recorded in its books and records for the test year ending September  
5 30, 2005 (Exhibit DMH-7 page 1). Test year service revenues for water  
6 operations are adjusted from \$43,011 to \$43,424 to record an increase in water  
7 revenues of \$413. Test year service revenues for wastewater operations are  
8 adjusted from \$728,478 to \$734,888 to record an increase in wastewater revenues  
9 of \$6,410. These adjustments are a negligible change to test year service revenue  
10 and will have little or no impact on the overall revenue requirement of UUCI. In  
11 addition, ORS proposes normalize test year revenues by eliminating revenues for  
12 the Keowee and Gem Lakes subdivisions per Dockets No. 2006-122-S and 2006-  
13 130-S respectively to bring the service revenues in line with known and  
14 measurable changes. In summary, ORS calculated UUCI's test year service  
15 revenue for water operations, as adjusted, of \$43,424. ORS calculated UUCI's  
16 test year service revenue for wastewater operations, as adjusted, of \$728,520.  
17 ORS calculated test year revenues for combined operations, as adjusted, of  
18 \$771,944 (Exhibit DMH-7 page 2). For comparison purposes, ORS calculated  
19 UUCI's proposed water service revenues, as adjusted, of \$66,512. ORS calculated  
20 UUCI's proposed wastewater service revenues, as adjusted, of \$992,526. At  
21 UUCI's proposed rates, combined operations revenue, as adjusted, would total  
22 \$1,059,038 (Exhibit DMH-7 page 2). ORS did not factor customer growth into

1 these revenue comparisons; however, Ms. Tina Seale has provided testimony  
2 regarding the ORS customer growth calculation.

3 UUCI bills all customers in accordance with the rate structure approved by the  
4 Commission. Customer's wastewater treatment provided by a government entity  
5 is invoiced in accordance with the pass-through language in UUCI's tariff. ORS  
6 proposes no adjustment to UUCI's Miscellaneous Revenues.

7 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO UUCI'S**  
8 **UNCOLLECTIBLE PERCENTAGE?**

9 A. UUCI currently has an uncollectible percentage of 4.8% which ORS finds to be  
10 higher than typical. ORS proposes to adjust uncollectible accounts to 1.5% of  
11 service revenues which is industry standard.

12 **Q. PLEASE EXPLAIN EXHIBIT DMH-8 OF YOUR REPORT.**

13 A. Exhibit DMH-8 is a summary of the current PSC approved rates for UUCI and  
14 UUCI's proposed rates.

15 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**  
16 **RECOMMENDATIONS?**

17 A. ORS recommendations are based on the conclusions outlined in the Florida Public  
18 Service Commission Water and Wastewater System Regulatory Law as  
19 recommended by the NARUC staff. ORS's approach and conclusions made  
20 concerning depreciation are consistent with the Public Utility Depreciation  
21 Practices manual as published by NARUC in 1996.

1   **Q.   DO YOU HAVE ANY COMMENTS REGARDING UUCI'S REQUEST TO**  
2       **MODIFY TERMS AND CONDITIONS RELATING TO TENANT**  
3       **BILLING?**

4   A.   ORS is not opposed to the proposed modification in terms and conditions listed in  
5       its proposed tariff. This change is required to ensure compliance with S.C. Code  
6       Ann. § 27-33-50 (Supp 2004).

7   **Q.   DO YOU HAVE ANY COMMENTS REGARDING UUCI'S REQUEST TO**  
8       **ADD TERMS AND CONDITIONS RELATING TO CROSS-**  
9       **CONNECTION TESTING?**

10  A.   ORS is not opposed to the proposed addition of language requiring its water  
11       customers to conduct cross connection testing pursuant to 24 A S.C. Code Ann.  
12       Regs. R. 61-58.7.F (8).

13  **Q.   DOES THAT CONCLUDE YOUR TESTIMONY?**

14  A.   Yes it does.

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2006-107-WS**

**Application of United Utility Companies, Inc. for Adjustment of Rates and Charges and  
Modification to Certain Terms and Conditions for the Provision of Water and Sewer  
Service**

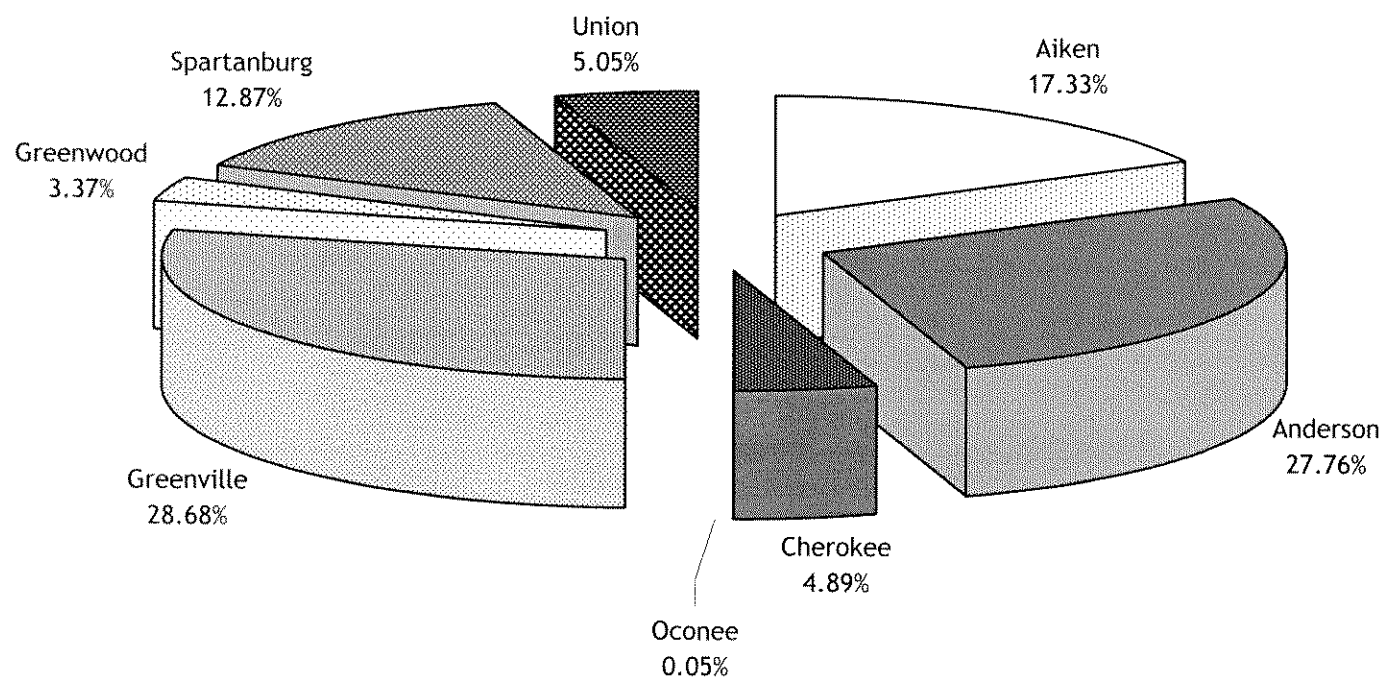
**DAWN M. HIPPIE TESTIMONY**

**EXHIBIT INDEX**

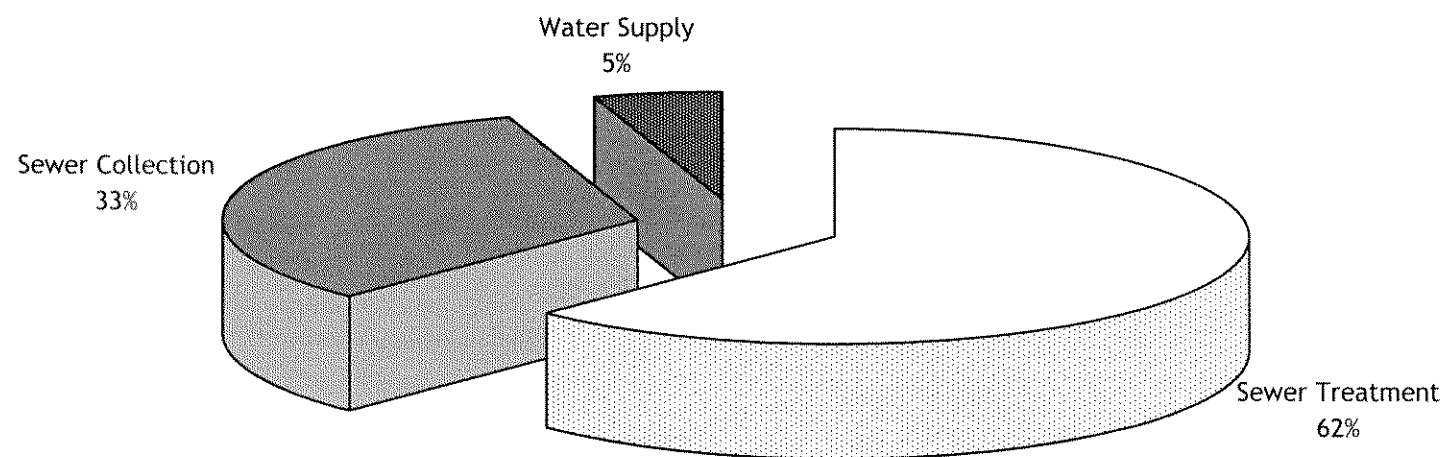
<b><u>EXHIBIT NO.</u></b>	<b><u>EXHIBIT TYPE</u></b>	<b><u>PREPARED BY</u></b>
DMH-1	UUCI Customer Overview by County and Service	ORS
DMH-2	UUCI Customer Detail	ORS
DMH-3	ORS Business Office Compliance Review	ORS
DMH-4	ORS Facility Inspection Report	ORS
DMH-5	UUCI Performance Bond Requirement	ORS
DMH-6	UUCI Performance Bond	PSC
DMH-7	Service Revenue Impact	ORS
DMH-8	Proposed Rate Comparison	ORS

# **Exhibit DMH-1**

United Utility Companies, Inc.  
Number of Customers by County  
for Test Year ending September 30, 2005



United Utility Companies, Inc.  
Customer Classification  
for Test Year ending September 30, 2005





# **Exhibit DMH-2**

United Utility Companies, Inc.  
2006-107-WS  
Customer Detail by Service Area and Service Type

Exhibit DMH-2

Subdivision	Customer Count 10/01/04	Customer Count 09/30/05	Service Description	Bulk Water/Sewer Provider
<b>Aiken County</b>				
Gem Lakes	315	318	Residential Sewer Collection	City of Aiken
	1	1	Commercial Sewer Collection	City of Aiken
<b>Total</b>	<b>316</b>	<b>319</b>		

<b>Anderson County</b>				
Chambert Forest I and II	2	2	Residential Sewer	UUCI
	197	199	Mobile Home Sewer	UUCI
The Village	71	71	Residential Sewer Collection	WCRSA
	239	239	Mobile Home Sewer Collection	WCRSA
<b>Total</b>	<b>509</b>	<b>511</b>		

<b>Cherokee County</b>				
Briarcreek I and II	89	90	Residential Sewer	UUCI
<b>Total</b>	<b>89</b>	<b>90</b>		

<b>Greenville County</b>				
Canterbury	151	151	Residential Sewer	UUCI
Kingswood	25	25	Residential Water	UUCI
North Greenville College	1	2	Commercial Sewer	UUCI
	36	41	Residential Sewer	UUCI
Trollingwood	54	54	Residential Water	UUCI
	54	54	Residential Sewer	UUCI
Valleybrook	167	174	Residential Sewer	UUCI
	6	6	Mobile Home Sewer	UUCI
Woodmont Estates	20	21	Residential Water	UUCI
<b>Total</b>	<b>514</b>	<b>528</b>		

<b>Greenwood County</b>				
Highland Forest	62	62	Residential Sewer	UUCI
<b>Total</b>	<b>62</b>	<b>62</b>		

<b>Oconee County</b>				
Keowee Townhomes	1	1	Condominium Sewer	UUCI
<b>Total</b>	<b>1</b>	<b>1</b>		

<b>Spartanburg County</b>				
River Forest	82	82	Residential Sewer Collection	SSSD
Stonecreek	151	151	Residential Sewer Collection	SSSD
	4	4	Mobile Home Sewer Collection	SSSD
<b>Total</b>	<b>237</b>	<b>237</b>		

<b>Union County</b>				
Fairwood	93	93	Residential Sewer	UUCI
<b>Total</b>	<b>93</b>	<b>93</b>		

# **Exhibit DMH-3**

**REVIEW OF WATER AND WASTEWATER SERVICES  
UNITED UTILITY COMPANIES, INC.  
DOCKET: 2006-107-WS**

The Office of Regulatory Staff (“ORS”) of South Carolina performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of United Utility Companies, Inc. (“UUCI”) in preparation for this rate case. UUCI currently provides water, wastewater collection and treatment services to commercial and residential customers in their service area which includes portions of Aiken, Anderson, Cherokee, Greenville, Greenwood, Oconee, Spartanburg and Union counties. As of June 30, 2006, UUCI provides water services to 93 single family equivalents and wastewater services to 1,874 single family equivalents.

The ORS Consumer Services Department received two consumer complaints regarding UUCI during the test year. Consumers contacted ORS to resolve a complaint regarding high rates and a service area dispute. Since the Notice of Filing was mailed to UUCI’s customers, the Public Service Commission has received three Petitions to Intervene and 13 Letters of Protest.

ORS determined UUCI provides adequate water provision/distribution service and wastewater collection/treatment service. UUCI is currently operating all water and wastewater systems in compliance with all DHEC rules, regulations and consent orders.

The following 2 pages provide a summary of the ORS Business Compliance Audit results.



### ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: United Utility Companies, Inc.  
 Inspector: Dawn Hipp  
 Office: Corporate: 2335 Saunders Road, Northbrook, IL 60062; Local Office: 110 Queen Parkway, West Columbia  
 Utility Type: Water and Wastewater Utility  
 Date: 06/01-06/30/06  
 Company Representative: Lena Sunardio/Mac Mitchell

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		Customers can contact West Columbia office to receive copies of records.
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		All customer complaints are input into UUCI database which tracks service orders, complaint types and related resolutions.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		All documents including plans and maps are available in the West Columbia office.
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		UUCI new customer package provides adequate reference to PSC jurisdiction.
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		Deposits are charged and receipted in compliance. UUCI automated billing system credits deposits w/ interest at appropriate intervals. Accrued deposits remain in separate account from other revenues. Interest is reflected at proper rate authorized by PSC.
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		UUCI bills for monthly service in arrears.
7	Bill forms in accordance with R.103-532 and R.103-732.	X		Bill form is clear with adequate after-hours emergency contact information.

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		Invoice adjustments are compliant with R.103-533 and 103-733.
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		Deferred payment plan and payment extension agreement available to all customers.
10	Notices sent to customers prior to termination in accordance with R.103-535 and 103-735.	X		Proper notice procedure is followed. Disconnect notices are received by ORS monthly.
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.		X	Consent order 04-180-W was received under data response 1.13. UUCI is reminded that all NOV's and consent orders that affect service to customers must be filed with the PSC/ORS when they are executed.
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		Authorized Utility Representative Form received.
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	NA	NA	As of 06/30/06, CWS provides service to 93 water SFEs and 1,874 sewer SFEs.
17	Company has a current performance bond on file with the Commission. Amount of bond: <b>\$100,000.00</b>		X	UUCI currently has a \$100,000 irrevocable letter of credit (ILC) on file with the PSC/ORS. The stated bond amount of \$50,000 for water and \$50,000 for sewer is insufficient per R.103-512 and 103-712.
18	Company has a current annual report on file with the Office of Regulatory Staff.	X		Filed 04/28/06
19	Company has paid annual Gross Receipts assessment.	X		Current filing and payment made.

# **Exhibit DMH-4**



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Briarcreek I

Date Inspected:	06/01/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	96
System Type (collection, force main, lagoon, etc):	Collection, gravity flow to package plant
Location of System:	Hwy 105, Gaffney, Cherokee County
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0023736
Last SC DHEC Compliance Rating:	Satisfactory (04/04/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Bob Scott
Drinking Water Provider:	Gaffney BPW or private wells

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Continuous aeration
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		None observed
9	Grass mowed	X		
10	Duckweed/Algae acceptable	NA	NA	
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Clear and good flow
14	Lift Stations present	NA	NA	No lift station on system
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

Good housekeeping  
Sludge wasting every 2 months  
Plans to build digester on-site  
Outfall to un-named tributary behind property





## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Briarcreek II

Date Inspected:	06/01/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	96
System Type (collection, force main, lagoon, etc):	Collection, gravity flow to package plant
Location of System:	Hwy 105, Gaffney, Cherokee County
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0026409
Last SC DHEC Compliance Rating:	Satisfactory (04/04/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Bob Scott
Drinking Water Provider:	Gaffney BPW

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixer and extended air
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		None observed
9	Grass mowed	X		
10	Duckweed/Algae acceptable	NA	NA	
11	Grease build-up acceptable	X		Slight foam throughout plant
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Clear and good flow
14	Lift Stations present	NA	NA	No lift station on system
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

Good housekeeping  
 No upgrades planned  
 Outfall to un-named tributary behind property



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Canterbury

Date Inspected:	06/06/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	150
System Type (collection, force main, lagoon, etc):	Collection, gravity flow, activated sludge process
Location of System:	Hwy 25, Greenville County
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0028941
Last SC DHEC Compliance Rating:	Satisfactory (08/31/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Larry Chitwood
Drinking Water Provider:	Greenville

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixers and extended air
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Clear
14	Lift Stations present	NA	NA	
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

New clarifier positioned, but not on-line  
Headquarters for operators in the area  
Mission unit in place



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Chambert Forest I and II

Date Inspected: 06/01/06  
 Inspector Name: Dawn Hipp  
 Docket Number: 2006-107-WS  
 Utility Name: United Utility Companies, Inc.  
 Utility Representative: M. Mitchell  
 Number of Customers: 202  
 System Type (collection, force main, lagoon, etc): Collection, gravity flow to activated sludge process  
 Location of System: Anderson County  
 Location of Utility Office: West Columbia, SC  
 Treatment Type: Chlorination and dechlorination  
 Permit #: SC0024716  
 Last SC DHEC Compliance Rating: Unsatisfactory (02/23/06)  
 Frequency checked by WWTF Operator: Daily - Operator Name: Tim Barrow  
 Drinking Water Provider: Starr-Iva Water and Sewer District

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Tablets
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixer and extended air
4	Plant fenced and locked		X	Plant undergoing upgrade. Permanent fencing down during construction. Temporary fencing in place
5	Warning Signs Visible	X		
6	Fence in good condition		X	Plant undergoing upgrade. Permanent fencing down during construction. Temporary fencing in place
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		Slight odor at 3:00 p.m.
9	Grass mowed	X		
10	Duckweed/Algae acceptable	NA	NA	
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Clear and good flow
14	Lift Stations present	NA	NA	No lift station on system. Chambert 1 to be converted to a lift station.
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

Outfall to tributary of Mountain Creek  
 Upgrade to provide better treatment and will be completed by September 2006



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Fairwoods

Date Inspected:	06/06/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	93
System Type (collection, force main, lagoon, etc):	Collection, gravity flow, activated sludge process
Location of System:	Hwy 49 (near River Hills GC) Union County
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0035041
Last SC DHEC Compliance Rating:	Satisfactory (04/04/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Bob Scott
Drinking Water Provider:	Meansville-Riley Road Water

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixers and extended air
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		Some on digester
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Clear
14	Lift Stations present	X		1 Lift station at head of plant
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		Empty lots

### Additional Comments:

Plant built in the 1970's located next to golf course  
 Outfall to Bear Lake Creek  
 No plans for upgrades to plant



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Highland Forest

Date Inspected:	06/01/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	94
System Type (collection, force main, lagoon, etc):	Collection, gravity flow, polishing pond and activated sludge plant
Location of System:	Greenwood County
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0034444
Last SC DHEC Compliance Rating:	Satisfactory (06/17/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Kim Sawyer
Drinking Water Provider:	City of Greenwood

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixer and extended air
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		Duckweed on polishing pond
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Slightly cloudy
14	Lift Stations present	X		1 lift station at head of plant
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

Upgrades planned to add metal scavenger and digester



### ORS WATER SYSTEM INSPECTION REPORT

#### Inspection Overview: Kingswood

Date Inspected: 06/06/06  
 Inspector Name: Dawn Hipp  
 Docket Number: 2006-107-WS  
 Utility Name: United Utility Companies, Inc.  
 Utility Representative: M. Mitchell  
 Number of Customers: 26  
 System Type (distribution, well, etc): Well system with storage  
 Location of System: Sandy Springs Rd (outside of Simpsonville) Greenville County  
 Location of Utility Office: West Columbia  
 Treatment Type: Chlorination  
 Permit #: 2350011  
 Last SC DHEC Compliance Rating: Satisfactory  
 Frequency checked by Licensed Operator: Daily - Operator Name: Bob Scott  
 Wastewater Provider: Septic tank

#### Inspection Overview

	System Components Inspected	Specific Type	#	PSI	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites	Bored	1	50	32 gpm	X		
2	Pump Houses	Masonite	1			X		
3	Storage Tank	Pressurized	1		5000	X		Tank will require painting
3a	Storage Tank	Non-Pressurized	0			NA	NA	
3b	Storage Tank	Overhead	0			NA	NA	
4	Chlorinator					X		Liquid feed
5	Other Chemicals in use					X		Soda ash, Aqua Mag
6	Meters	Yes				X		
7	Fire Hydrants	No				X		Flushing only
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		Water observed clear
11	Water free of sand					X		Water observed clear
12	Water clarity					X		Water observed clear
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		New home being constructed

#### Inspection Testing Results

	Water Quality Test Type	Result		Comments
		Well #1		
TR1	Turbidity	NA		Site not selected for testing
TR2	Color	NA		Site not selected for testing

#### Additional Comments:

No upgrade planned at site



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: North Greenville College

Date Inspected: 06/01/06  
 Inspector Name: Dawn Hipp  
 Docket Number: 2006-107-WS  
 Utility Name: United Utility Companies, Inc.  
 Utility Representative: M. Mitchell  
 Number of Customers: 250  
 System Type (collection, force main, lagoon, etc): Collection, gravity flow, forced main to SBR process  
 Location of System: Greenville County  
 Location of Utility Office: West Columbia, SC  
 Treatment Type: Chlorination and dechlorination  
 Permit #: SC0026565  
 Last SC DHEC Compliance Rating: Satisfactory (01/27/05)  
 Frequency checked by WWTF Operator: Daily - Operator Name: Larry Chitwood  
 Drinking Water Provider: Blue Ridge Rural Water

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Mixers and extended air.
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	NA	NA	
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Contact chamber is cloudy with solids. Effluent is clear.
14	Lift Stations present	NA	NA	
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

### Additional Comments:

System serves North Greenville College, Laurel Valley and Cherokee Valley subdivisions.  
 North Greenville College owns the collection system and lift stations serving the campus.  
 Lagoon is owned by N. Greenville College and holds rainwater only.



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Trollingwood

Date Inspected:	06/06/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	52
System Type (collection, force main, lagoon, etc):	Collection, gravity flow, lagoon system
Location of System:	Greenville county
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0026611
Last SC DHEC Compliance Rating:	Satisfactory (08/19/04)
Frequency checked by WWTF Operator:	Daily - Operator Name: Kim Sawyer
Drinking Water Provider:	UUCI

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		2 aerators
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		New fencing installed
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		Slightly cloudy
14	Lift Stations present	X		1 lift station
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		Some room adjacent to subdivision

### Additional Comments:

Outfall to tributary emptying into Baker Creek





## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview: Valleybrook

Date Inspected:	06/06/06
Inspector Name:	Dawn Hipp
Docket Number:	2006-107-WS
Utility Name:	United Utility Companies, Inc.
Utility Representative:	M. Mitchell
Number of Customers:	194
System Type (collection, force main, lagoon, etc):	Collection, gravity flow, lagoon system
Location of System:	Greenville county
Location of Utility Office:	West Columbia, SC
Treatment Type:	Chlorination and dechlorination
Permit #:	SC0028673
Last SC DHEC Compliance Rating:	Unsatisfactory (08/31/05)
Frequency checked by WWTF Operator:	Daily - Operator Name: Kim Sawyer
Drinking Water Provider:	Greenville

### Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Liquid injection
2	Other chemicals in use	X		Sodium thiosulfate
3	Aerators present	X		Air O <sub>2</sub> Units
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		Concrete wall added in 2006 to decrease amount of rainfall entering plant
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		Water in clarifier gray
12	Plant free of debris	X		Manual bar screen
13	Effluent Color acceptable	X		
14	Lift Stations present	NA	NA	
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		New homes being built

### Additional Comments:

Plant built in the 1970's

Unsatisfactory rating by DHEC caused by failure of secondary flow metering device



## ORS WATER SYSTEM INSPECTION REPORT

### Inspection Overview: Trollingwood

Date Inspected: 06/06/06  
 Inspector Name: Dawn Hipp  
 Docket Number: 2006-107-WS  
 Utility Name: United Utility Companies, Inc.  
 Utility Representative: M. Mitchell  
 Number of Customers: 50  
 System Type (distribution, well, etc): Well system with storage  
 Location of System: Greenville County  
 Location of Utility Office: West Columbia  
 Treatment Type: Chlorination  
 Permit #: 2350010  
 Last SC DHEC Compliance Rating: Satisfactory  
 Frequency checked by Licensed Operator: Daily - Operator Name: Larry Chitwood  
 Wastewater Provider: UUCI

### Inspection Overview

	System Components Inspected	Specific Type	#	PSI	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites	Bored	2	60	60 gpm	X		Treatment done in 1 bldg
2	Pump Houses	Masonite	2			X		
3	Storage Tank	Pressurized	1		5,000	X		Tank will require cleaning & painting
3a	Storage Tank	Non-Pressurized	0			NA	NA	
3b	Storage Tank	Overhead	0			NA	NA	
4	Chlorinator					X		Liquid feed
5	Other Chemicals in use					X		Aqua Mag, soda ash, iron filters
6	Meters	Yes				X		
7	Fire Hydrants	No				X		Flushing only
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		Water observed clear
11	Water free of sand					X		Water observed clear
12	Water clarity					X		Water observed clear
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		

### Inspection Testing Results

	Water Quality Test Type	Result		Comments
		Well #1	Well #2	
TR1	Turbidity	NA	NA	Site not selected for testing
TR2	Color	NA	NA	Site not selected for testing

### Additional Comments:

No upgrade planned at site

# **Exhibit DMH-5**

United Utility Companies, Inc.  
2006-107-WS  
Performance Bond Calculation  
for the Test Year ending September 30, 2005

EXHIBIT DMH-5

United Utility Companies, Inc. - Water			
Bond Value Components	Per Books	As Adjusted	UUCI Proposed Increase
O & M Expense	\$22,568	\$22,577	\$22,577
G & A Expense	\$12,283	\$11,950	\$11,950
Taxes	\$7,573	\$4,960	\$5,220
Income Tax	\$546	(\$1,955)	\$6,645
Debt Service/Interest Expense	\$10,917	\$5,838	\$5,838
<b>Bond Value Requirement</b>	<b>\$53,887</b>	<b>\$43,370</b>	<b>\$52,230</b>
United Utility Companies, Inc. - Wastewater			
Bond Value Components	Per Books	As Adjusted	UUCI Proposed Increase
O & M Expense	\$481,504	\$481,638	\$417,139
G & A Expense	\$182,377	\$174,423	\$115,358
Taxes	\$114,993	\$76,195	\$65,571
Income Tax	\$11,341	\$14,764	\$116,646
Debt Service/Interest Expense	\$126,963	\$74,304	\$59,720
<b>Bond Value Requirement</b>	<b>\$917,178</b>	<b>\$821,324</b>	<b>\$774,434</b>
United Utility Companies, Inc. - Combined			
Bond Value Components	Per Books	As Adjusted	UUCI Proposed Increase
O & M Expense	\$504,072	\$504,215	\$439,716
G & A Expense	\$194,660	\$186,373	\$127,308
Taxes	\$122,566	\$81,155	\$70,791
Income Tax	\$11,887	\$12,809	\$123,291
Debt Service/Interest Expense	\$137,880	\$80,142	\$65,558
<b>Bond Value Requirement</b>	<b>\$971,065</b>	<b>\$864,694</b>	<b>\$826,664</b>
Current Performance Bond Structure (1)	Bond Value	Expiration Date	
Bank One NA Irrevocable Letter of Credit (440433)	\$100,000	06/30/06	
<b>Total Financial Assurance</b>	<b>\$100,000</b>		

(1) As reported on Irrevocable Letter of Credit 440433 dated 10/21/04 filed with PSC.

(2) Irrevocable Letter of Credit secures performance bond of \$50,000 for water operations and \$50,000 for wastewater operations

# **Exhibit DMH-6**

**BANK ONE.**

Bank One, NA  
Global Trade Services  
One Bank One Plaza  
Mail Code IL1-0236  
Chicago, IL 60670  
Tel: (800) 634-1969 Fax: (312) 954-0203  
SWIFT: FNBCUS44  
Telex: ITT4330253 FNBCUI

IRREVOCABLE STANDBY LETTER OF CREDIT NO. 440433      DATE: OCTOBER 21, 2004

BENEFICIARY:  
STATE OF SOUTH CAROLINA  
THE PUBLIC SERVICE COMMISSION  
KROGER EXECUTIVE CENTER  
101 EXECUTIVE CENTER  
COLUMBIA, SC 29210

DRAFTS DRAWN MUST BE MARKED  
WITH OUR LETTER OF CREDIT NO. 440433

BY THE ORDER OF:

APPLICANT:  
UNITED UTILITY C/O UTILITIES, INC.  
2335 SANDERS ROAD  
NORTHBROOK, IL 60062

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. 440433 FOR THE ACCOUNT OF UNITED UTILITY C/O UTILITIES, INC. FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE U.S. \$100,000.00 (ONE HUNDRED THOUSAND AND 00/100 U.S. DOLLARS) AVAILABLE BY YOUR DRAFTS AT SIGHT ON BANK ONE, NA, CHICAGO, IL EFFECTIVE OCTOBER 21, 2004 AND EXPIRING AT OUR OFFICE ON JUNE 30, 2006.

FUNDS UNDER THIS CREDIT ARE AVAILABLE AGAINST YOUR DRAFT(S) AS HEREIN ABOVE SET FORTH MARKED "DRAWN UNDER BANK ONE, NA LETTER OF CREDIT NO. 440433" AND ACCOMPANIED BY THE FOLLOWING:

A CERTIFIED ORDER OF THE PUBLIC SERVICE COMMISSION APPROVING DRAFT DRAWN UNDER THIS LETTER OF CREDIT. SAID ORDER SHALL STATE THAT THE DRAFT IS MADE PURSUANT TO THE INTENTIONS OF THE REQUIREMENTS IN RULE RUW 203.3 AND/OR RUS 203.3 OF THE RULES AND REGULATIONS GOVERNING SERVICE SUPPLIED BY WATER AND SEWERAGE UTILITIES IN SOUTH CAROLINA.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE (1) YEAR FROM THE EXPIRY DATE HEREOF OR ANY FUTURE EXPIRY DATE UNLESS AT LEAST FORTY-FIVE (45) DAYS PRIOR TO SUCH EXPIRATION DATE WE NOTIFY YOU BY CERTIFIED MAIL OR HAND DELIVERED COURIER, AT THE ADDRESS STATED ABOVE, THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD.

HOWEVER, IN NO EVENT SHALL THIS LETTER OF CREDIT BE EXTENDED BEYOND JUNE 30, 2007.

WE ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN CONFORMITY WITH THE TERMS OF THIS CREDIT WILL BE DULY HONORED ON PRESENTATION IF PRESENTED ON OR BEFORE THE EXPIRATION AT OUR COUNTERS AT 300 SOUTH RIVERSIDE PLAZA, 7<sup>TH</sup> FLOOR, MAIL CODE IL1-0236, ATTN: STANDBY LETTER OF CREDIT UNIT, CHICAGO, IL 60606-0236. THE ORIGINAL LETTER OF CREDIT MUST ACCOMPANY THE DOCUMENTS REQUIRED UNDER THIS CREDIT FOR ENDORSEMENT.

**BANK ONE.**

Bank One, NA  
Global Trade Services  
One Bank One Plaza  
Mail Code IL1-0236  
Chicago, IL 60670  
Tel: (800) 634-1969 Fax: (312) 954-0203  
SWIFT: FNBCUS44  
Telex: ITT4330253 FNBCUI

OUR LETTER OF CREDIT NO. 440433

DATE: OCTOBER 21, 2004

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE - PUBLICATION 500.

PLEASE ADDRESS ALL CORRESPONDENCE REGARDING THIS LETTER OF CREDIT TO THE ATTENTION OF OUR STANDBY LETTER OF CREDIT UNIT, TRADE SERVICE GROUP, MENTIONING OUR LETTER OF CREDIT NUMBER AS IT APPEARS ABOVE.

VERY TRULY YOURS,  
BANK ONE, NA

  
PREPARER/AUTHORIZED SIGNER

\_\_\_\_\_  
AUTHORIZED SIGNER

# **Exhibit DMH-7**



United Utility Companies, Inc.  
2006-107-WS  
Service Revenue Adjustments  
for Test Year ending September 30, 2005

EXHIBIT DMH-7

Revenue Type	Per UUC Books	Accounting and Proforma Adjustments	Adjusted Per Books	Adjustment to Eliminate Gem Lakes (0470)	Adjustment to Eliminate Keowee Townhomes (0726)	Adjusted Per Books	Proposed Increase	After Proposed Increase
Service Revenue - Water	\$43,011	\$413	\$43,424	\$0	\$0	\$43,424	\$23,088	\$66,512
Service Revenue - Sewer	\$728,478	\$6,410	\$734,888	\$0	(\$6,368)	\$728,520	\$264,006	\$992,526
Service Revenue - Sewer Gem Lakes	\$146,265	\$0	\$146,265	(\$146,265)	\$0	\$0	\$0	\$0
Miscellaneous Revenue	\$29,482	\$0	\$29,482	(\$1,648)	(\$15)	\$27,819	\$0	\$27,819
Uncollectibles	(\$44,295)	\$30,426	(\$13,869)	\$2,193	\$96	(\$11,580)	(\$4,306)	(\$15,886)
Total	\$902,941	\$37,249	\$940,190	(\$145,720)	(\$6,287)	\$788,183	\$282,788	\$1,070,971

United Utility Companies, Inc.  
2006-107-WS  
Service Revenue Impact  
for Test Year ending September 30, 2005

EXHIBIT DMH-7

**Water and Sewer Revenue Overview for Test Year Ending September 30, 2005**

Bill Pro	Customer Classification	Commission Order Approving Current Rate Structure	Service Units	Consumption in Gallons	Usage Charge per 1,000 gallons	Base Facility Charge (BFC)	Test Year Calculated Revenues	Service Revenue Adjustment for Gem Lakes and Keowee Townhome Transfer	Total Revenue less Gem Lakes and Keowee Townhomes
70001	5/8" Residential Water	2004-254	1,123.00	6,602,088	\$4.50	\$11.50	\$42,624	\$0	\$42,624
70002	3/4" Residential Water	2004-254	15.00	139,490	\$4.50	\$11.50	\$800	\$0	\$800
47021	Residential Sewer Collection - Gem Lakes subdivision	2004-465	3,712.44	0	\$0.00	\$23.50	\$87,242	(\$87,242)	\$0
70021	5/8" Sewer	2004-254	10,431.88	0	\$0.00	\$48.24	\$503,234	(\$6,368)	\$496,866
70028	3/4" Sewer	2004-254	24.00	0	\$0.00	\$48.24	\$1,158	\$0	\$1,158
70022	5/8" Sewer Mobile Home	2004-254	1,979.56	0	\$0.00	\$35.58	\$70,433	\$0	\$70,433
70024	Sewer Collection Charge	2004-254	3,352.96	0	\$0.00	\$24.66	\$82,684	\$0	\$82,684
72321	Sewer Collection Charge	2004-254	3,137.84	0	\$0.00	\$24.66	\$77,379	\$0	\$77,379
<b>Total Test Year Water and Sewer Revenue</b>							<b>\$822,130</b>	<b>(\$93,610)</b>	<b>\$771,944</b>

**Water and Sewer Revenue Overview using UUCI Proposed Rates**

Bill Pro	Customer Classification	Commission Order Approving Current Rate Structure	Service Units	Consumption in Gallons	Usage Charge per 1,000 gallons	Base Facility Charge (BFC)	Test Year Calculated Revenues	Service Revenue Adjustment for Gem Lakes and Keowee Townhome Transfer	Total Revenue less Gem Lakes and Keowee Townhomes	Increase Amount after Gem Lakes and Keowee Townhomes Transfer	Increase %
70001	5/8" Residential Water	Proposed	1,123.00	6,602,088	\$5.97	\$23.08	\$65,333	\$0	\$65,333	\$22,709	53.28%
70002	3/4" Residential Water	Proposed	15.00	139,490	\$5.97	\$23.08	\$1,179	\$0	\$1,179	\$379	47.33%
47021	Residential Sewer Collection - Gem Lakes subdivision	Proposed	3,712.44	0	\$0.00	\$24.66	\$91,549	(\$91,549)	\$0	\$0	0.00%
70021	5/8" Sewer	Proposed	10,431.88	0	\$0.00	\$65.72	\$685,583	(\$8,675)	\$676,908	\$180,042	36.24%
70028	3/4" Sewer	Proposed	24.00	0	\$0.00	\$65.72	\$1,577	\$0	\$1,577	\$420	36.24%
70022	5/8" Sewer Mobile Home	Proposed	1,979.56	0	\$0.00	\$48.47	\$95,949	\$0	\$95,949	\$25,517	36.23%
70024	Sewer Collection Charge	Proposed	3,352.96	0	\$0.00	\$33.60	\$112,659	\$0	\$112,659	\$29,975	36.25%
72321	Sewer Collection Charge	Proposed	3,137.84	0	\$0.00	\$33.60	\$105,431	\$0	\$105,431	\$28,052	36.25%
<b>Total Water and Sewer Revenue using Proposed Rates</b>							<b>\$1,159,262</b>	<b>(\$100,224)</b>	<b>\$1,059,038</b>	<b>\$287,093</b>	<b>37.19%</b>

# **Exhibit DMH-8**

United Utility Companies, Inc.  
2006-107-WS  
Proposed Rate Comparison

EXHIBIT DMH - 8

Water

Customer Classification	Description	Unit of Measure	Present Charge	Proposed Charge	Change from Present Rates	% Change
Residential Water	Base Facilities Charge for single family house, condo, mobile home, apartment unit	per unit	\$11.50	\$23.08	\$11.58	100.70%
Commercial Water	Base Facilities Charge for hotels, stores, restaurants, offices, industry	per unit	\$11.50	\$23.08	\$11.58	100.70%
Commodity Charge	Commodity Charge for all customer classes provided water from UUCI	per 1,000 gal	\$4.50	\$5.97	\$1.47	32.67%
Residential/Commercial	Water Service Connection Fee	Per SFE	\$100.00	\$100.00	\$0.00	0.00%
Residential/Commercial	Plant Impact Fee	Per SFE	\$400.00	\$400.00	\$0.00	0.00%
Residential/Commercial	Account Set-up Fee	Per Customer	\$25.00	\$25.00	\$0.00	0.00%
Residential/Commercial	Reconnection Fee	Per Occurance	\$35.00	\$35.00	\$0.00	0.00%

Sewer

Customer Classification	Description	Unit of Measure	Present Charge	Proposed Charge	Change from Present Rates	% Change
Residential Sewer	Base Facilities Charge for single family house, condo, villa, apartment unit	per unit	\$48.24	\$65.72	\$17.48	36.24%
Mobile Home Sewer	Base Facilities Charge for mobile homes	per unit	\$35.58	\$48.47	\$12.89	36.23%
Commercial Sewer	Base Facilities Charge for hotels, stores, restaurants, offices, industry	per SFE	\$48.24	\$65.72	\$17.48	36.24%
Residential Sewer - Collection	Base Facilities Charge for single family house, condo, villa, apartment unit	per unit	\$24.66	\$33.60	\$8.94	36.25%
Commercial Sewer - Collection	Base Facilities Charge for hotels, stores, restaurants, offices, industry	per SFE	\$24.66	\$33.60	\$8.94	36.25%
Residential Sewer - Collection Gem Lakes subdivision only	Base Facilities Charge for single family house, condo, villa, apartment unit	per unit	\$24.66	\$24.66	\$0.00	0.00%
Pass-Through Sewer Treatment Charge	Sewer Treatment Charge from third party provider	per 1,000 gal	Varies	Varies	Varies	Varies
Residential/Commercial	Sewer Service Connection Fee	Per SFE*	\$100.00	\$100.00	\$0.00	0.00%
Residential/Commercial	Plant Impact Fee	Per SFE*	\$400.00	\$400.00	\$0.00	0.00%
Residential/Commercial	Account Set-up Fee	Per Customer	\$25.00	\$25.00	\$0.00	0.00%
Residential/Commercial	Reconnection w/o elder valve	Per Occurance	\$250.00	\$250.00	\$0.00	0.00%
Residential/Commercial	Reconnection w/ elder valve	Per Occurance	\$35.00	\$35.00	\$0.00	0.00%
Residential/Commercial	Notification fee for service disconnection	Per Occurance	\$4.00	\$4.00	\$0.00	0.00%